

MONROE COUNTY, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2010

MONROE COUNTY, IOWA

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MONROE COUNTY, IOWA

OFFICIALS

| <u>Name</u>      | <u>Title</u>         | <u>Term Expires</u> |
|------------------|----------------------|---------------------|
| Dennis J. Ryan   | Board of Supervisors | January, 2011       |
| Michael Beary    | Board of Supervisors | January, 2013       |
| John Hughes      | Board of Supervisors | January, 2013       |
| Jeannie Bettis   | County Auditor       | January, 2013       |
| Peggy Vandenberg | County Treasurer     | January, 2011       |
| Tracy Casady     | County Recorder      | January, 2011       |
| Daniel Johnson   | County Sheriff       | January, 2013       |
| Steve Goodlow    | County Attorney      | January, 2011       |
| Karen Fontinel   | County Assessor      | January, 2016       |

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Monroe County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Monroe County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Monroe County, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Monroe County, Iowa at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2011 on our consideration of Monroe County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 8 and 34 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monroe County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the four years ended June 30, 2008, (none of which are presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
January 19, 2011

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Monroe County, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## 2010 FINANCIAL HIGHLIGHTS

- The County's Governmental funds' revenues increased \$562,140 from fiscal year 2009 to fiscal year 2010. Capital grants, contributions and restricted interest increased \$193,166 and operating grants, contributions and restricted interest increased \$388,037.
- The County's Governmental funds' expenditures totaled \$1,856,361 more in fiscal year 2010 than in fiscal year 2009. Roads and transportation expenditures made up the largest increase of \$1,872,372.
- The County's Governmental funds' net assets increased 3.5%, or \$409,070, from June 30, 2009 to June 30, 2010.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Monroe County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Monroe County, Iowa's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Monroe County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year and the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor Governmental and the individual Agency Funds.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, capital projects, and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include:

1. The General Fund,
2. The Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads,

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary funds account for the County's Internal Service Fund, the Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for agriculture extension education, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Monroe County, Iowa's combined net assets increased from \$11,728,167 to \$12,137,237 during the year ended June 30, 2010. The analysis that follows focuses on the changes in the net assets for governmental activities.

### Net Assets of Governmental Activities

|   | <u>June 30, 2010</u> | <u>June 30, 2009</u> |
|---|----------------------|----------------------|
| Current and other assets                        | \$ 9,402,934         | \$ 8,596,932         |
| Capital assets                                  | <u>9,265,020</u>     | <u>9,040,576</u>     |
| Total assets                                    | <u>18,667,954</u>    | <u>17,637,508</u>    |
| Long-term liabilities                           | 1,354,425            | 1,172,632            |
| Other liabilities                               | <u>5,176,292</u>     | <u>4,736,709</u>     |
| Total liabilities                               | <u>6,530,717</u>     | <u>5,909,341</u>     |
| Net assets:                                     |                      |                      |
| Invested in capital assets, net of related debt | 8,528,409            | 7,865,869            |
| Restricted                                      | 2,442,090            | 2,212,092            |
| Unrestricted                                    | <u>1,166,738</u>     | <u>1,650,206</u>     |
| Total net assets                                | \$ <u>12,137,237</u> | \$ <u>11,728,167</u> |

Net assets of Monroe County, Iowa's governmental activities increased by \$409,070 (\$12,137,237 compared to \$11,728,167). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), net of related debt. The debt (if any) related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$1,166,738 and \$1,650,206 at June 30, 2010 and 2009, respectively.

### Changes in Net Assets of Governmental Activities

|   | <u>Year Ended</u>    |                      |
|---|----------------------|----------------------|
|   | <u>June 30, 2010</u> | <u>June 30, 2009</u> |
| Revenues:   |                      |                      |
| Program revenues:                                       |                      |                      |
| Charges for service                                     | \$ 400,381           | \$ 390,934           |
| Operating grants, contributions and restricted interest | 3,997,603            | 3,609,566            |
| Capital grants, contributions and restricted interest   | 793,458              | 600,292              |
| General revenues:                                       |                      |                      |
| Property and other County tax                           | 2,140,583            | 2,045,474            |
| Penalty and interest on property tax                    | 38,146               | 39,229               |
| State tax credits                                       | 81,167               | 88,488               |
| Local option sales and services tax                     | 311,094              | 423,136              |
| Unrestricted investment earnings                        | 62,958               | 89,422               |
| Other general revenues                                  | <u>345,016</u>       | <u>321,725</u>       |
| Total revenues  | <u>8,170,406</u>     | <u>7,608,266</u>     |

|                                     |                      |                      |
|-------------------------------------|----------------------|----------------------|
| Program expenses:                   |                      |                      |
| Public safety and legal services    | 1,053,648            | 1,029,772            |
| Physical health and social services | 818,858              | 839,172              |
| Mental health                       | 760,724              | 748,216              |
| County environment and education    | 320,790              | 259,414              |
| Roads and transportation            | 3,535,106            | 1,662,734            |
| Governmental services to residents  | 350,426              | 369,659              |
| Administration                      | 902,642              | 932,566              |
| Interest on long-term debt          | 19,142               | 63,442               |
| Total expenses                      | <u>7,761,336</u>     | <u>5,904,975</u>     |
| Change in net assets                | 409,070              | 1,703,291            |
| Net assets beginning of year        | <u>11,728,167</u>    | <u>10,024,876</u>    |
| Net assets end of year              | \$ <u>12,137,237</u> | \$ <u>11,728,167</u> |

The County increased property tax asking for the 2011 fiscal year by 17.5%. The property and other County tax asking for the fiscal year 2011 was set at \$4,073,463, an increase of \$610,409 from the fiscal year 2010.

### INDIVIDUAL MAJOR FUND ANALYSIS

As Monroe County, Iowa completed the year, its governmental funds reported a combined fund balance of \$2,958,930, an increase of \$172,633 compared to last year's total of \$2,786,297. The increase in fund balance is primarily attributable to the Secondary Roads fund. The following are the major reasons for the changes in the fund balances of the major governmental funds from the prior year:

- General Fund revenues and expenditures were \$3,061,436 and \$3,110,480, respectively. The ending fund balance showed a decrease of \$95,200 from the prior year to \$1,250,337. The decrease in ending fund balance is 48.9% less than last year's decrease due to a slight increase in revenue and a decrease in expenses.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$760,724, an increase of 1.7% from the prior year. The Mental Health Fund balance at year end decreased by \$92,989 from the prior year.
- Rural Services ending fund balance decreased \$4,681 from the June 30, 2009 balance, primarily due to an increase in public safety and legal services expenses of \$54,419.
- Secondary Roads Fund expenses decreased by \$615,695 compared to the prior year. This decrease in expenses resulted in an increase in the Secondary Roads Fund ending balance of \$366,512, or 41.1%.

### BUDGETARY HIGHLIGHTS

During the year ended June 30, 2010, Monroe County, Iowa amended its budget once on March 30, 2010.

The County underspent the total budgeted amount of \$9,867,373 by \$1,978,891 for the year ended June 30, 2010.

Even with the budget amendment, the County exceeded the budget amount in the debt service function for the year ended June 30, 2010.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, Monroe County, Iowa had \$9,265,020 invested in a broad range of capital assets (net of depreciation), including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$224,444, or 2.4% percent over last year.

#### Capital Assets of Governmental Activities at Year End

|                                       | <u>June 30, 2010</u> | <u>June 30, 2009</u> |
|---------------------------------------|----------------------|----------------------|
| Land and construction in progress     | \$ 139,955           | \$ 139,955           |
| Buildings and improvements            | 1,700,454            | 1,777,082            |
| Equipment and vehicles                | 1,104,544            | 1,314,691            |
| Infrastructure                        | <u>6,320,067</u>     | <u>5,808,848</u>     |
| Total                                 | \$ <u>9,265,020</u>  | \$ <u>9,040,576</u>  |
| This year's major additions included: |                      |                      |
| Buildings and improvements            | \$ -                 | \$ 250,000           |
| Equipment and vehicles                | 66,274               | 133,414              |
| Infrastructure                        | <u>786,267</u>       | <u>2,228,531</u>     |
| Total                                 | \$ <u>852,541</u>    | \$ <u>2,611,945</u>  |

The County had depreciation expense of \$625,397 in fiscal year 2010 and total accumulated depreciation of \$5,275,752 at June 30, 2010.

The County's fiscal year 2010 capital budget included \$889,500 for capital projects, principally for road and bridge improvements and conservation projects. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### Long-Term Debt

At June 30, 2010, Monroe County, Iowa had \$1,908,851 in general obligation capital loan notes and other debt outstanding compared to \$1,817,053 at June 30, 2009, as shown below:

#### Outstanding Debt of Governmental Activities at Year-End

|                                   | <u>June 30, 2010</u> | <u>June 30, 2009</u> |
|-----------------------------------|----------------------|----------------------|
| Notes payable                     | \$ 82,143            | \$ 125,000           |
| General obligation notes          | 1,318,596            | 1,058,973            |
| Capital lease purchase agreements | 56,714               | 70,698               |
| Installment purchases             | 314,811              | 386,023              |
| Road use tax revenue notes        | -                    | 50,000               |
| Compensated absences              | 129,073              | 126,359              |
| Net OPEB liability                | <u>7,514</u>         | <u>-</u>             |
| Total                             | \$ <u>1,908,851</u>  | \$ <u>1,817,053</u>  |

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Monroe County, Iowa's outstanding general obligation debt of \$1,772,264 is significantly below its constitutional debt limit of \$18,234,273. Other obligations include accrued compensated absences and net OPEB liability. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Monroe County, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and the fees charged for various County activities. One of those factors is the economy. Unemployment (as of August 2010) in the County now stands at 7.1%. This compares with the State's unemployment rate of 6.8% and the national rate of 9.6%.

Inflation in the State slightly higher than the national Consumer Price Index increase. The State's CPI increase was 2.603% for the twelve month period ending June 2010 compared with the national rate of 2.272%.

These indicators were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget are \$8,979,673, a decrease of 8.9% from the final fiscal year 2010 budget. The amount of revenue to support the above expenditures is projected to increase 3.9% from the final fiscal year 2010 budget to \$8,110,365. Property and other County taxes supporting the fiscal year 2011 budget decreased \$543,368 from the final fiscal year 2010 budget and makes up 59.0% of the revenue for the fiscal year 2011 budgeted expenditures.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of the 2011 fiscal year by approximately \$857,308 leaving an overall reserve of approximately 10.0% of budgeted fiscal year 2011 expenditures.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Monroe County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Monroe County Auditor's Office, 10 Benton Avenue East, Albia, Iowa 52531.

MONROE COUNTY, IOWASTATEMENT OF NET ASSETSJUNE 30, 2010

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b><u>ASSETS:</u></b>                            |                                    |
| Cash and pooled investments                      | \$ 4,093,042                       |
| Receivables:                                     |                                    |
| Property tax:                                    |                                    |
| Delinquent                                       | 556,425                            |
| Succeeding year                                  | 4,203,095                          |
| Accounts   | 11,285                             |
| Due from other governments                       | 229,147                            |
| Loan receivable                                  | 82,143                             |
| Inventories                                      | 175,149                            |
| Prepaid expenses                                 | 52,648                             |
| Capital assets (net of accumulated depreciation) | <u>9,265,020</u>                   |
| TOTAL ASSETS                                     | <u>18,667,954</u>                  |
| <b><u>LIABILITIES:</u></b>                       |                                    |
| Accounts payable                                 | 232,635                            |
| Salaries and benefits payable                    | 78,452                             |
| Due to other governments                         | 79,381                             |
| Accrued interest payable                         | 26,064                             |
| Deferred revenue:                                |                                    |
| Succeeding year property tax                     | 4,205,334                          |
| Long-term liabilities:                           |                                    |
| Portion due and payable within one year:         |                                    |
| General obligation notes                         | 307,388                            |
| Loans payable                                    | 42,857                             |
| Compensated absences                             | 129,073                            |
| Capital lease purchase agreements                | 15,420                             |
| Installment purchases                            | 59,688                             |
| Portion due and payable after one year:          |                                    |
| General obligation notes                         | 1,011,208                          |
| Loans payable                                    | 39,286                             |
| Net OPEB Liability                               | 7,514                              |
| Capital lease purchase agreements                | 41,294                             |
| Installment purchases                            | <u>255,123</u>                     |
| TOTAL LIABILITIES                                | <u>6,530,717</u>                   |
| <b><u>NET ASSETS:</u></b>                        |                                    |
| Invested in capital assets, net of related debt  | 8,528,409                          |
| Restricted for:                                  |                                    |
| Supplemental levy                                | 733,497                            |
| Mental health                                    | 24,154                             |
| Rural services                                   | 295,433                            |
| Secondary roads                                  | 1,258,207                          |
| Capital projects                                 | 157                                |
| Debt service                                     | 27,169                             |
| Other purposes                                   | 103,473                            |
| Unrestricted                                     | <u>1,166,738</u>                   |
| TOTAL NET ASSETS                                 | <u>\$ 12,137,237</u>               |

## MONROE COUNTY, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

| Functions/Programs                        | Expenses     | Charges<br>for Service | Program Revenues  |   | Net<br>(Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|---|--------------|------------------------|---|---|---|
|   |              |                        | Operating<br>Grants,<br>Contributions<br>and Restricted<br>Interest | Capital<br>Grants,<br>Contributions<br>and Restricted<br>Interest |   |
| Governmental activities:                  |              |                        |   |   |   |
| Public safety and legal services          | \$ 1,053,648 | \$ 57,519              | \$ 567,444  | \$ -  | \$ (428,685)  |
| Physical health and social services       | 818,858      | 45,057                 | 210,028   | -   | (563,773)   |
| Mental health                             | 760,724      | 2,259                  | 665,476   | -   | (92,989)  |
| County environment and education          | 320,790      | 48,587                 | 586,020   | 7,191   | 321,008   |
| Roads and transportation                  | 3,535,106    | 73,091                 | 1,968,635   | 786,267   | (707,113)   |
| Governmental services to residents        | 350,426      | 165,885                | -   | -   | (184,541)   |
| Administration                            | 902,642      | 7,983                  | -   | -   | (894,659)   |
| Interest on long-term debt                | 19,142       | -                      | -   | -   | (19,142)  |
| Total                                     | \$ 7,761,336 | \$ 400,381             | \$ 3,997,603  | \$ 793,458  | (2,569,894)   |
| General revenues:                         |              |                        |   |   |   |
| Property and other County tax levied for: |              |                        |   |   |   |
| General purposes                          |              |                        |   |   | 2,039,199   |
| Debt service                              |              |                        |   |   | 101,384   |
| Penalty and interest on property tax      |              |                        |   |   | 38,146  |
| State tax credits                         |              |                        |   |   | 81,167  |
| Local option sales and services tax       |              |                        |   |   | 311,094   |
| Unrestricted investment earnings          |              |                        |   |   | 62,958  |
| Gain on disposal of capital assets        |              |                        |   |   | 7,471   |
| Other general revenues                    |              |                        |   |   | 337,545   |
| Total general revenues                    |              |                        |   |   | 2,978,964   |
| Change in net assets                      |              |                        |   |   | 409,070   |
| NET ASSETS - Beginning of year            |              |                        |   |   | 11,728,167  |
| NET ASSETS - End of year                  |              |                        |   |   | \$ 12,137,237   |

## MONROE COUNTY, IOWA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

| ASSETS   | General             | Special Revenue   |                     |                     | Nonmajor<br>Governmental<br>Funds | Total               |
|--|---------------------|-------------------|---------------------|---------------------|-----------------------------------|---------------------|
|  |                     | Mental<br>Health  | Rural<br>Services   | Secondary<br>Roads  |                                   |                     |
| Cash and pooled investments                    | \$ 1,208,857        | \$ 128,378        | \$ 298,982          | \$ 1,087,750        | \$ 144,392                        | \$ 2,868,359        |
| Receivables:                                   |                     |                   |                     |                     |                                   |                     |
| Property tax:                                  |                     |                   |                     |                     |                                   |                     |
| Delinquent                                     | 518,393             | 7,268             | 28,497              | -                   | 2,267                             | 556,425             |
| Succeeding year                                | 2,437,405           | 330,421           | 1,099,447           | -                   | 335,822                           | 4,203,095           |
| Accounts                                       | 9,519               | -                 | 165                 | 1,455               | 146                               | 11,285              |
| Due from other governments                     | 122,292             | 5,774             | 3,667               | 97,414              | -                                 | 229,147             |
| Loan receivable                                | 82,143              | -                 | -                   | -                   | -                                 | 82,143              |
| Inventories                                    | -                   | -                 | -                   | 175,149             | -                                 | 175,149             |
| Prepaid expenses                               | 39,653              | -                 | -                   | 12,995              | -                                 | 52,648              |
| <b>TOTAL ASSETS</b>                            | <b>\$ 4,418,262</b> | <b>\$ 471,841</b> | <b>\$ 1,430,758</b> | <b>\$ 1,374,763</b> | <b>\$ 482,627</b>                 | <b>\$ 8,178,251</b> |
| <b>LIABILITIES AND FUND BALANCES</b>           |                     |                   |                     |                     |                                   |                     |
| <b>LIABILITIES:</b>                            |                     |                   |                     |                     |                                   |                     |
| Accounts payable                               | \$ 77,268           | \$ 35,293         | \$ 3,116            | \$ 91,562           | \$ 13,767                         | \$ 221,006          |
| Salaries and benefits payable                  | 48,650              | 1,253             | 4,018               | 24,531              | -                                 | 78,452              |
| Due to other governments                       | 4,801               | 73,541            | 576                 | 463                 | -                                 | 79,381              |
| Deferred revenue:                              |                     |                   |                     |                     |                                   |                     |
| Succeeding year property tax                   | 2,437,405           | 330,421           | 1,099,447           | -                   | 338,061                           | 4,205,334           |
| Other  | 599,801             | 7,179             | 28,168              | -                   | -                                 | 635,148             |
| <b>TOTAL LIABILITIES</b>                       | <b>3,167,925</b>    | <b>447,687</b>    | <b>1,135,325</b>    | <b>116,556</b>      | <b>351,828</b>                    | <b>5,219,321</b>    |
| <b>FUND BALANCES:</b>                          |                     |                   |                     |                     |                                   |                     |
| Reserved for:                                  |                     |                   |                     |                     |                                   |                     |
| Inventories                                    | -                   | -                 | -                   | 175,149             | -                                 | 175,149             |
| Prepaid expenses                               | 39,653              | -                 | -                   | 12,995              | -                                 | 52,648              |
| Debt service fund                              | -                   | -                 | -                   | -                   | 27,169                            | 27,169              |
| Supplemental levy                              | 733,497             | -                 | -                   | -                   | -                                 | 733,497             |
| Unreserved, reported in:                       |                     |                   |                     |                     |                                   |                     |
| General fund                                   | 477,187             | -                 | -                   | -                   | -                                 | 477,187             |
| Capital projects fund                          | -                   | -                 | -                   | -                   | 157                               | 157                 |
| Special revenue funds                          | -                   | 24,154            | 295,433             | 1,070,063           | 103,473                           | 1,493,123           |
| <b>TOTAL FUND BALANCES</b>                     | <b>1,250,337</b>    | <b>24,154</b>     | <b>295,433</b>      | <b>1,258,207</b>    | <b>130,799</b>                    | <b>2,958,930</b>    |
| <b>TOTAL LIABILITIES<br/>AND FUND BALANCES</b> | <b>\$ 4,418,262</b> | <b>\$ 471,841</b> | <b>\$ 1,430,758</b> | <b>\$ 1,374,763</b> | <b>\$ 482,627</b>                 | <b>\$ 8,178,251</b> |

MONROE COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010

|   |                      |
|---|----------------------|
| Total governmental fund balances  | \$ 2,958,930         |
| Amounts reported for governmental activities in the statement of net assets are different because:  |                      |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$14,540,772 and the accumulated depreciation is \$5,275,752.   | 9,265,020            |
| Other long-term assets are not available to pay current period expenditures and, therefore, are not recorded and/or deferred in the governmental funds.   | 635,148              |
| The Internal Service Fund is used by management to charge the costs of the County's health and dental insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets. | 1,213,054            |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.  | (26,064)             |
| Long-term liabilities, including long-term compensated absences payable and net OPEB liability, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.  | <u>(1,908,851)</u>   |
| Net assets of governmental activities   | \$ <u>12,137,237</u> |

## MONROE COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010

|  | General             | Special Revenue  |                   |                     | Nonmajor<br>Governmental<br>Funds | Total               |
|--|---------------------|------------------|-------------------|---------------------|-----------------------------------|---------------------|
|  |                     | Mental<br>Health | Rural<br>Services | Secondary<br>Roads  |                                   |                     |
| <b>REVENUES:</b>   |                     |                  |                   |                     |                                   |                     |
| Property and other County tax                                | \$ 2,044,505        | \$ 325,076       | \$ 1,410,816      | \$ -                | \$ 101,384                        | \$ 3,881,781        |
| Interest and penalty on property tax                         | 38,146              | -                | -                 | -                   | -                                 | 38,146              |
| Intergovernmental  | 668,110             | 340,400          | 38,256            | 1,975,826           | 17,287                            | 3,039,879           |
| Licenses and permits   | -                   | -                | -                 | 1,880               | -                                 | 1,880               |
| Charges for service  | 206,714             | -                | 15,149            | 118                 | 14,946                            | 236,927             |
| Use of money and property                                    | 94,282              | -                | -                 | -                   | 1,538                             | 95,820              |
| Miscellaneous  | 9,679               | 2,259            | -                 | 71,093              | 4,510                             | 87,541              |
| Total revenues   | <u>3,061,436</u>    | <u>667,735</u>   | <u>1,464,221</u>  | <u>2,048,917</u>    | <u>139,665</u>                    | <u>7,381,974</u>    |
| <b>EXPENDITURES:</b>   |                     |                  |                   |                     |                                   |                     |
| Current:   |                     |                  |                   |                     |                                   |                     |
| Public safety and legal services                             | 882,297             | -                | 223,701           | -                   | -                                 | 1,105,998           |
| Physical health and social services                          | 819,329             | -                | 13,500            | -                   | -                                 | 832,829             |
| Mental health  | -                   | 760,724          | -                 | -                   | -                                 | 760,724             |
| County environment and education                             | 168,885             | -                | 122,851           | -                   | -                                 | 291,736             |
| Roads and transportation                                     | -                   | -                | -                 | 2,836,146           | -                                 | 2,836,146           |
| Governmental services to residents                           | 331,811             | -                | -                 | -                   | -                                 | 331,811             |
| Administration   | 850,946             | -                | 865               | -                   | -                                 | 851,811             |
| Debt service   | 57,212              | -                | -                 | 299,477             | 108,601                           | 465,290             |
| Capital projects   | -                   | -                | 311,094           | -                   | 32,073                            | 343,167             |
| Total expenditures   | <u>3,110,480</u>    | <u>760,724</u>   | <u>672,011</u>    | <u>3,135,623</u>    | <u>140,674</u>                    | <u>7,819,512</u>    |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>(49,044)</u>     | <u>(92,989)</u>  | <u>792,210</u>    | <u>(1,086,706)</u>  | <u>(1,009)</u>                    | <u>(437,538)</u>    |
| Other financial sources (uses):                              |                     |                  |                   |                     |                                   |                     |
| Proceeds from debt   | -                   | -                | -                 | 600,000             | -                                 | 600,000             |
| Sale of capital assets                                       | -                   | -                | -                 | 10,171              | -                                 | 10,171              |
| Transfers in   | -                   | -                | -                 | 843,047             | -                                 | 843,047             |
| Transfers out  | (46,156)            | -                | (796,891)         | -                   | -                                 | (843,047)           |
| Total other financing sources (uses)                         | <u>(46,156)</u>     | <u>-</u>         | <u>(796,891)</u>  | <u>1,453,218</u>    | <u>-</u>                          | <u>610,171</u>      |
| Net change in fund balances                                  | (95,200)            | (92,989)         | (4,681)           | 366,512             | (1,009)                           | 172,633             |
| Fund balances - Beginning of year                            | <u>1,345,537</u>    | <u>117,143</u>   | <u>300,114</u>    | <u>891,695</u>      | <u>131,808</u>                    | <u>2,786,297</u>    |
| Fund balances - End of year                                  | \$ <u>1,250,337</u> | \$ <u>24,154</u> | \$ <u>295,433</u> | \$ <u>1,258,207</u> | \$ <u>130,799</u>                 | \$ <u>2,958,930</u> |

MONROE COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

Net change in fund balances - Total governmental funds \$ 172,633

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital expenditures in the current year as follows:

|                                 |                  |           |
|---------------------------------|------------------|-----------|
| Expenditures for capital assets | \$ 66,274        |           |
| Depreciation expense            | <u>(625,397)</u> |           |
|                                 |                  | (559,123) |

Farm to Market funds used to construct infrastructure 786,267

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred and/or not recorded in the governmental funds:

|  |         |
|--|---------|
| Property tax and other deferred revenues | (5,306) |
|--|---------|

|   |         |
|---|---------|
| Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | 518,430 |
|---|---------|

|  |         |
|--|---------|
| In the Statement of Activities, the gain on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. | (2,700) |
|--|---------|

|   |           |
|---|-----------|
| Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. | (600,000) |
|---|-----------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

|                            |          |
|----------------------------|----------|
| Net OPEB liability         | (7,514)  |
| Compensated absences       | (2,714)  |
| Interest on long-term debt | (15,341) |

|   |                |
|---|----------------|
| The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in fund net assets of the Internal Service Fund is reported with governmental activities. | <u>124,438</u> |
|---|----------------|

|   |                   |
|---|-------------------|
| Change in net assets of governmental activities | \$ <u>409,070</u> |
|---|-------------------|

See Notes to Financial Statements



MONROE COUNTY, IOWA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2010

Internal Service -  
Employee  
Group Health

ASSETS

|                           |              |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 1,224,683 |
|---------------------------|--------------|

LIABILITIES

|                  |               |
|------------------|---------------|
| Accounts payable | <u>11,629</u> |
|------------------|---------------|

NET ASSETS:

|              |                     |
|--------------|---------------------|
| Unrestricted | \$ <u>1,213,054</u> |
|--------------|---------------------|

MONROE COUNTY, IOWASTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETSPROPRIETARY FUNDYEAR ENDED JUNE 30, 2010Internal Service -  
Employee  
Group HealthOPERATING REVENUES:

|  |                |
|--|----------------|
| Charges to County operating funds and others | \$ 742,085     |
| Charges to retirees                          | 8,550          |
| Insurance reimbursements                     | <u>66,044</u>  |
| Total operating revenues                     | <u>816,679</u> |

OPERATING EXPENSES:

|                              |                |
|------------------------------|----------------|
| Medical claims               | 483,148        |
| Administrative fees          | 224,742        |
| Stop loss insurance premiums | <u>5,396</u>   |
| Total operating expenses     | <u>713,286</u> |

|                  |         |
|------------------|---------|
| Operating income | 103,393 |
|------------------|---------|

NON-OPERATING REVENUES:

|                         |               |
|-------------------------|---------------|
| Interest on investments | <u>21,045</u> |
|-------------------------|---------------|

|                           |         |
|---------------------------|---------|
| CHANGE IN FUND NET ASSETS | 124,438 |
|---------------------------|---------|

|                                       |                  |
|---------------------------------------|------------------|
| <u>NET ASSETS</u> - Beginning of year | <u>1,088,616</u> |
|---------------------------------------|------------------|

|                                 |                     |
|---------------------------------|---------------------|
| <u>NET ASSETS</u> - End of year | \$ <u>1,213,054</u> |
|---------------------------------|---------------------|

MONROE COUNTY, IOWA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2010

Internal Service -  
 Employee  
Group Health

CASH FLOWS FROM OPERATING ACTIVITIES:

|  |                  |
|--|------------------|
| Cash received from operating fund reimbursements | \$ 742,085       |
| Cash received from employees and others          | 74,594           |
| Cash payments to suppliers for services          | <u>(736,826)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES        | 79,853           |

CASH FLOWS FROM INVESTING ACTIVITIES:

|                         |               |
|-------------------------|---------------|
| Interest on investments | <u>21,045</u> |
|-------------------------|---------------|

NET INCREASE IN CASH AND CASH EQUIVALENTS 100,898

CASH AND CASH EQUIVALENTS - Beginning of year 1,123,785

CASH AND CASH EQUIVALENTS - End of year \$ 1,224,683

RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES:

|   |                  |
|---|------------------|
| Operating income  | \$ 103,393       |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                  |
| Decrease in accounts payable  | <u>(23,540)</u>  |
| Net cash provided by operating activities   | \$ <u>79,853</u> |

MONROE COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIESAGENCY FUNDSJUNE 30, 2010ASSETS

## Cash and pooled investments:

County Treasurer

\$ 568,039

Other County officials

38,043

Accounts receivable

8,019

Property tax receivable:

Delinquent

161,808

Succeeding year

8,217,391

Prepaid expenses

876

TOTAL ASSETS 8,994,176LIABILITIES

Due to other governments

8,957,928

Trusts payable

36,248TOTAL LIABILITIES 8,994,176NET ASSETS \$ -

## MONROE COUNTY, IOWA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Monroe County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Monroe County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Monroe County Assessor's Conference Board, Monroe County Emergency Management Commission and Monroe County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

#### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds:

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

## MONROE COUNTY, IOWA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to other funds for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

##### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the date of purchase, have a maturity date no longer than three months.

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Loan Receivable – Loans receivable represents the amount outstanding on a Community Economic Betterment Account loan made by the County to a local business.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u>               | <u>Amount</u> |
|----------------------------------|---------------|
| Infrastructure                   | \$ 65,000     |
| Land, buildings and improvements | 25,000        |
| Intangibles                      | 5,000         |
| Equipment and vehicles           | 5,000         |



MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

| <u>Asset Class</u>         | <u>Estimated<br/>Useful Lives<br/>(In Years)</u> |
|----------------------------|--|
| Infrastructure             | 10-65  |
| Buildings and improvements | 10-50  |
| Intangibles                | 3-15   |
| Equipment and vehicles     | 3-15   |

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and other receivables for which the related revenues have not yet been earned.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the debt service function.

NOTE 2: CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible banker's acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

The County's funds are all deposited in financial institution depository accounts.

NOTE 3: LOAN RECEIVABLE

During the year ended June 30, 2005, the County entered into a promissory note receivable agreement with Relco Locomotives in the amount of \$300,000. The note is an interest-free agreement. The note is secured by personal guarantee and first position UCC-1 on specific machinery and equipment and was issued as part of an Iowa Economic Development CEBA Loan Program. As explained in Note 7, this transaction was enabled by a Community Economic Betterment Account interest free promissory note obtained by the County.

A summary of annual collections due to the County as of June 30, 2010 is as follows:

| <u>Year Ending</u><br><u>June 30,</u> | <u>Principal</u> |    |
|---------------------------------------|------------------|----|
| 2011                                  | \$ 42,857        | 30 |
| 2012                                  | <u>39,286</u>    | 30 |
|                                       | \$ <u>82,143</u> | 30 |

MONROE COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS

NOTE 4: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

| <u>Transfer to</u>                  | <u>Transfer from</u>               | <u>Amount</u>     |
|-------------------------------------|------------------------------------|-------------------|
| Special Revenue:<br>Secondary Roads | Special Revenue:<br>Rural Services | \$ 796,891        |
| Special Revenue:<br>Secondary Roads | General                            | <u>46,156</u>     |
|                                     | Total                              | \$ <u>843,047</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 was as follows:

|  | <u>Balance<br/>Beginning of<br/>Year</u> | <u>Increases<br/>and<br/>Transfers</u> | <u>Decreases<br/>and<br/>Transfers</u> | <u>Balance<br/>End of<br/>Year</u> |
|--|--|--|--|------------------------------------|
| Governmental Activities:<br>Capital assets not being<br>depreciated/amortized: |  |  |  |                                    |
| Land   | \$ <u>139,955</u>                        | \$ <u>-</u>                            | \$ <u>-</u>                            | \$ <u>139,955</u>                  |
| Total capital assets not being<br>depreciated/amortized                        | <u>139,955</u>                           | <u>-</u>                               | <u>-</u>                               | <u>139,955</u>                     |
| Capital assets being depreciated/<br>amortized:                                |  |  |  |                                    |
| Buildings  | 2,711,557                                | -                                      | -                                      | 2,711,557                          |
| Improvements other than<br>buildings   | 72,000                                   | -                                      | -                                      | 72,000                             |
| Equipment and vehicles   | 4,486,593                                | 66,274                                 | 46,148                                 | 4,506,719                          |
| Infrastructure   | <u>6,324,274</u>                         | <u>786,267</u>                         | <u>-</u>                               | <u>7,110,541</u>                   |
| Total capital assets being<br>depreciated/amortized                            | <u>13,594,424</u>                        | <u>852,541</u>                         | <u>46,148</u>                          | <u>14,400,817</u>                  |
| Less accumulated depreciation/<br>amortization for:                            |  |  |  |                                    |
| Buildings  | 941,675                                  | 74,036                                 | -                                      | 1,015,711                          |
| Improvements other than<br>buildings   | 64,800                                   | 2,592                                  | -                                      | 67,392                             |
| Equipment and vehicles   | 3,171,902                                | 273,721                                | 43,448                                 | 3,402,175                          |
| Infrastructure   | <u>515,426</u>                           | <u>275,048</u>                         | <u>-</u>                               | <u>790,474</u>                     |
| Total accumulated<br>depreciation/amortization                                 | <u>4,693,803</u>                         | <u>625,397</u>                         | <u>43,448</u>                          | <u>5,275,752</u>                   |
| Total capital assets being<br>depreciated/amortized, net                       | <u>8,900,621</u>                         | <u>227,144</u>                         | <u>2,700</u>                           | <u>9,125,065</u>                   |
| Governmental activities capital<br>assets, net                                 | \$ <u>9,040,576</u>                      | \$ <u>227,144</u>                      | \$ <u>2,700</u>                        | \$ <u>9,265,020</u>                |

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS (Continued)

Depreciation/amortization expense was charged to the following functions:

|   |                   |
|---|-------------------|
| Governmental Activities:  |                   |
| Public safety and legal services                                  | \$ 28,958         |
| County environment and education                                  | 16,473            |
| Roads and transportation  | 484,593           |
| Governmental services to residents                                | 27,125            |
| Administration  | <u>68,248</u>     |
| Total depreciation/amortization expense - Governmental activities | \$ <u>625,397</u> |

NOTE 6: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

| <u>Fund</u>                     | <u>Amount</u>       |
|---------------------------------|---------------------|
| General                         | \$ 4,801            |
| Special Revenue:                |                     |
| Mental Health                   | 73,541              |
| Rural Services                  | 576                 |
| Secondary Roads                 | <u>463</u>          |
| Total governmental funds        | <u>79,381</u>       |
| Agency:                         |                     |
| E-911                           | 89,036              |
| County hospital                 | 664,257             |
| Townships                       | 155,500             |
| Corporations                    | 1,598,216           |
| Schools                         | 5,444,670           |
| Area schools                    | 277,951             |
| County assessor                 | 407,679             |
| Agriculture extension education | 112,099             |
| Auto license and use tax        | 188,423             |
| All other                       | <u>20,097</u>       |
| Total agency funds              | <u>8,957,928</u>    |
|                                 | \$ <u>9,037,309</u> |

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

|                                   | Balance<br>Beginning<br>of Year | Increases         | Decreases         | Balance<br>End<br>of Year | Due<br>Within<br>One Year |
|-----------------------------------|---------------------------------|-------------------|-------------------|---------------------------|---------------------------|
| Capital lease purchase agreements | \$ 70,698                       | \$ -              | \$ 13,984         | \$ 56,714                 | \$ 15,420                 |
| Installment purchases             | 386,023                         | -                 | 71,212            | 314,811                   | 59,688                    |
| General obligation notes          | 1,058,973                       | 600,000           | 340,377           | 1,318,596                 | 307,388                   |
| Road use tax revenue notes        | 50,000                          | -                 | 50,000            | -                         | -                         |
| Loans payable                     | 125,000                         | -                 | 42,857            | 82,143                    | 42,857                    |
| Net OPEB liability                | -                               | 7,514             | -                 | 7,514                     | -                         |
| Compensated absences              | <u>126,359</u>                  | <u>129,073</u>    | <u>126,359</u>    | <u>129,073</u>            | <u>129,073</u>            |
| Total                             | \$ <u>1,817,053</u>             | \$ <u>736,587</u> | \$ <u>644,789</u> | \$ <u>1,908,851</u>       | \$ <u>554,426</u>         |

Capital Lease Purchase Agreements

During the year ended June 30, 2007, the County entered into a capital lease purchase agreement to purchase a conservation area mower with historical cost totaling \$11,010. During the year ended June 30, 2009, the County entered into two capital lease purchase agreements to purchase a copier for the Recorder's office with a total historical cost of \$10,000 and to purchase computer equipment for the Public Health department with a total historical cost of \$55,000. The following is a schedule of the future minimum lease payments, including interest ranging from 7.20% to 10.40% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2010:

| <u>Year Ending<br/>June 30,</u>             | <u>Principal</u> |
|---|------------------|
| 2011  | \$ 20,338        |
| 2012  | 19,878           |
| 2013  | 17,579           |
| 2014  | <u>9,187</u>     |
| Total minimum lease payments                | 66,982           |
| Less amount representing interest           | <u>10,268</u>    |
| Present value of net minimum lease payments | \$ <u>56,714</u> |

Payments under capital lease purchase agreements for the year ended June 30, 2010 totaled \$20,337.

Installment Purchases

During the year ended June 30, 2008, the County entered into an installment purchase agreement to purchase two motorgraders at a total historical cost of \$392,250. The agreement calls for two biannual payments, including interest, of \$15,047 for the first year of the agreement and \$33,055 for the remaining lease period through the year ending June 30, 2015. The purchase agreement has an effective annual interest rate of 4.96%.

During the year ended June 30, 2009, the County entered into an installment purchase agreement to purchase an imaging system for the County at a total historical cost of \$81,055. The agreement calls for five annual payments through the year ending June 30, 2014.

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: CHANGES IN LONG-TERM LIABILITIES (Continued)

The following is a schedule of future installment purchase payments:

| <u>Year<br/>Ending<br/>June 30,</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|-------------------------------------|-------------------|------------------|-------------------|
| 2011                                | \$ 59,688         | \$ 12,355        | \$ 72,043         |
| 2012                                | 65,553            | 9,981            | 75,534            |
| 2013                                | 64,555            | 7,489            | 72,044            |
| 2014                                | 67,172            | 4,873            | 72,045            |
| 2015                                | <u>57,843</u>     | <u>2,039</u>     | <u>59,882</u>     |
|                                     | \$ <u>314,811</u> | \$ <u>36,737</u> | \$ <u>351,548</u> |

Payments under installment purchase agreements for the year ended June 30, 2010 totaled \$85,875.

General Obligation Notes

During the year ended June 30, 2008, the County issued \$400,000 in general obligation corporate purpose notes for the County's share of constructing the Honey Creek Resort State Park. The notes have an interest rate of 4.50% per annum and are payable through the year ending June 30, 2018.

During the year ended June 30, 2008, the County issued a \$400,000 general obligation office building note for the purpose of purchasing and renovating additional Courthouse office and storage space. The note bears an interest rate of 5.50% per annum and is payable through the year ending June 30, 2015.

During the year ended June 30, 2009, the County issued a \$70,000 general obligation education center note for the purpose of purchasing real estate. The note bears an interest rate of 4.44% per annum and is payable through the year ending June 30, 2014.

During the year ended June 30, 2010, the County issued a \$600,000 general obligation county road improvement note for the purpose of paying for the improvement of county roads. The note bears an interest rate of 4.00% and is payable through the year ending June 30, 2013.

Details of the County's general obligation notes are as follows:

| <u>Year<br/>Ending<br/>June 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|-------------------------------------|---------------------|-------------------|---------------------|
| 2011                                | \$ 307,388          | \$ 70,482         | \$ 377,870          |
| 2012                                | 312,841             | 45,030            | 357,871             |
| 2013                                | 318,714             | 31,157            | 349,871             |
| 2014                                | 124,604             | 17,041            | 141,645             |
| 2015                                | 115,311             | 10,611            | 125,922             |
| 2016                                | 48,881              | 5,573             | 54,454              |
| 2017                                | 51,164              | 3,290             | 54,454              |
| 2018                                | <u>39,693</u>       | <u>915</u>        | <u>40,608</u>       |
|                                     | \$ <u>1,318,596</u> | \$ <u>184,099</u> | \$ <u>1,502,695</u> |

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: CHANGES IN LONG-TERM LIABILITIES (Continued)

Loan Payable

During the year ended June 30, 2005, the County entered into a \$300,000 Community Economic Betterment Account interest free promissory note agreement payable in 84 monthly payments of \$3,571. However, the County's liability on the note is limited to those amounts collected from the County's good-faith enforcement of a security interest in its note receivable agreement with Relco Locomotives (Note 3). Upon exhaustion of the County's rights in the collateral granted by such security interest, the County will have no liability for any deficiency owing on the note except in the event of County fraud, negligence, or gross mismanagement of the loan agreement.

Details of the County's loans payable at June 30, 2010 are as follows:

| <u>Year<br/>Ending<br/>June 30,</u> | <u>Principal</u> |
|-------------------------------------|------------------|
| 2011                                | \$ 42,857        |
| 2012                                | <u>39,286</u>    |
| Total                               | \$ <u>82,143</u> |

NOTE 8: PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$175,995, \$164,966 and \$156,191, respectively, equal to the required contributions for each year.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The County operates a single-employer retiree benefits plan which provides medical/prescription drug benefits for retirees and their spouses. There are 69 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 66 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amounts actually contributed to the plan and changes in the County's net OPEB obligation:

|  |    |                |
|--|----|----------------|
| Annual required contribution               | \$ | 16,339         |
| Interest on net OPEB obligation            |    | -              |
| Adjustment to annual required contribution |    | -              |
| Annual OPEB cost                           |    | 16,339         |
| Contributions made                         |    | <u>(8,825)</u> |
| Increase in net OPEB obligation            |    | 7,514          |
| Net OPEB obligation beginning of year      |    | -              |
| Net OPEB obligation end of year            | \$ | <u>7,514</u>   |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, \$8,825 was contributed to the medical plan. Plan members eligible for benefits contributed \$8,825, or 100% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

| <u>Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-------------------|-------------------------|---|----------------------------|
| June 30, 2010     | \$ 16,339               | 54.01 %   | \$ 7,514                   |

Funding Status and Funding Progress: As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$137,632, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$137,632. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,484,284 and the ratio of the UAAL to covered payroll was 5.5%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.



## MONROE COUNTY, IOWA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Mortality rates are from the RP2000 Combined Mortality Table. Annual retirement and termination probabilities were determined using the Alternative Valuation Method as prescribed by GASB 45.

Projected claim costs of the medical plan are \$475 per month for retirees and \$985 per month for retirees and their spouse. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### NOTE 10: RISK MANAGEMENT

Monroe County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2010 were \$107,044.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 10: RISK MANAGEMENT (Continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amounts of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11: EMPLOYEE HEALTH INSURANCE PLAN

The Monroe County Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$30,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Monroe County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to First Administrator, Inc. from the Monroe County Employees Group Health Fund. The County's contribution for the year ended June 30, 2010 was \$742,085.

Amounts payable from the Employee Group Health Fund at June 30, 2010 total \$11,629, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$1,213,054 at June 30, 2010 and is reported as a designation of the Monroe County Employee Group Health Fund net assets. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

|  |                  |
|--|------------------|
| Unpaid claims at July 1, 2009  | \$ 35,169        |
| Incurred claims (including claims incurred but not reported at June 30, 2010): |                  |
| Current year events  | 713,286          |
| Payments:  |                  |
| Current year events  | 701,657          |
| Prior year events  | <u>35,169</u>    |
| Unpaid claims at June 30, 2010   | \$ <u>11,629</u> |

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 12: CONTINGENT LIABILITIES

Monroe County, Iowa participates in the South Central Iowa Solid Waste Agency (Agency), a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency includes providing economic disposal of solid waste produced or generated within the member counties and municipalities.

The County may be required to provide a local government guarantee for a portion of the closure and postclosure costs of the landfill as per Chapter 111.6(8) of the Iowa Administrative Code. At June 30, 2010, the County had no financial assurance obligation.

In the event of South Central Iowa Solid Waste Agency fails to perform closure or postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to obtain alternate financial assurance within 90 days of intent to cancel, Monroe County, Iowa will perform or pay a third party to perform closure and/or postclosure care or establish a standby trust fund in the name of the South Central Iowa Solid Waste Agency or obtain alternate financial assurance in the amount of any required future local government guarantee.

In September 2007, the County approved the issuance of \$100,000,000 in Taxable Industrial Development Revenue Bonds or Notes for the purpose of the development of the Mid-West Chlor-Alkali Project for the production of food-grade liquid caustic soda, liquid hydrochloric acid and sodium hypochloride. As the issuer of the bonds, the County will have only limited obligations and will have no pecuniary liability.

The County received notice in November 2006 of legal action being taken against the County alleging improper procedures taken by the County in relation to a property taken by the County through the tax sale procedures for delinquent taxes. The outcome of this litigation cannot be determined at this time.

NOTE 13: SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 19, 2011, the date the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

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MONROE COUNTY, IOWA

**BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010**

|   | Governmental<br>Fund Types | Budgeted            |                     | Final to<br>Actual<br>Variance -<br>Positive<br>(Negative) |
|---|----------------------------|---------------------|---------------------|--|
|   | <u>Actual</u>              | <u>Original</u>     | <u>Final</u>        |  |
| <b>RECEIPTS:</b>  |                            |                     |                     |  |
| Property and other County tax   | \$ 3,955,327               | \$ 4,244,425        | \$ 4,244,424        | \$ (289,097)   |
| Interest and penalty on property tax  | 38,098                     | 3,000               | 3,000               | 35,098   |
| Intergovernmental   | 3,252,227                  | 2,786,409           | 3,267,148           | (14,921)   |
| Licenses and permits  | 2,180                      | 500                 | 500                 | 1,680  |
| Charges for service   | 235,439                    | 165,195             | 165,195             | 70,244   |
| Use of money and property   | 96,870                     | 100,306             | 100,306             | (3,436)  |
| Miscellaneous   | 88,555                     | 23,325              | 23,325              | 65,230   |
| Total receipts  | <u>7,668,696</u>           | <u>7,323,160</u>    | <u>7,803,898</u>    | <u>(135,202)</u>   |
| <b>DISBURSEMENTS:</b>   |                            |                     |                     |  |
| Public safety and legal services  | 1,108,297                  | 1,309,997           | 1,313,077           | 204,780  |
| Physical health and social services   | 822,144                    | 859,792             | 929,792             | 107,648  |
| Mental health   | 742,962                    | 1,017,640           | 1,017,640           | 274,678  |
| County environment and education  | 268,732                    | 319,830             | 319,830             | 51,098   |
| Roads and transportation  | 2,876,141                  | 2,614,634           | 3,560,679           | 684,538  |
| Governmental services to residents  | 335,898                    | 393,985             | 393,985             | 58,087   |
| Administration  | 856,853                    | 1,033,705           | 1,041,205           | 184,352  |
| Debt service  | 452,231                    | 162,375             | 401,665             | (50,566)   |
| Capital projects  | 425,224                    | 889,500             | 889,500             | 464,276  |
| Total disbursements   | <u>7,888,482</u>           | <u>8,601,458</u>    | <u>9,867,373</u>    | <u>1,978,891</u>   |
| Excess (deficiency) of receipts<br>over (under) disbursements   | (219,786)                  | (1,278,298)         | (2,063,475)         | 1,843,689  |
| Other financing sources (uses)  | <u>610,171</u>             | <u>-</u>            | <u>600,000</u>      | <u>10,171</u>  |
| Excess (deficiency) of receipts and other<br>financing sources over (under) disbursements<br>and other financing uses | 390,385                    | (1,278,298)         | (1,463,475)         | 1,853,860  |
| <b>BALANCE - Beginning of year</b>  | <u>2,477,973</u>           | <u>2,280,510</u>    | <u>2,521,098</u>    | <u>(43,125)</u>  |
| <b>BALANCE - End of year</b>  | <u>\$ 2,868,358</u>        | <u>\$ 1,002,212</u> | <u>\$ 1,057,623</u> | <u>\$ 1,810,735</u>  |

MONROE COUNTY, IOWA

BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010

|                                | <u>Governmental Funds</u> |                                |                                       |
|--------------------------------|---------------------------|--------------------------------|---------------------------------------|
|                                | <u>Cash Basis</u>         | <u>Accrual<br/>Adjustments</u> | <u>Modified<br/>Accrual<br/>Basis</u> |
| Revenues                       | \$ 7,668,696              | \$ (286,722)                   | \$ 7,381,974                          |
| Expenditures                   | <u>7,888,482</u>          | <u>(68,970)</u>                | <u>7,819,512</u>                      |
| Net                            | (219,786)                 | (217,752)                      | (437,538)                             |
| Other financing sources (uses) | 610,171                   | -                              | 610,171                               |
| Beginning fund balances        | <u>2,477,973</u>          | <u>308,324</u>                 | <u>2,786,297</u>                      |
| Ending fund balances           | \$ <u>2,868,358</u>       | \$ <u>90,572</u>               | \$ <u>2,958,930</u>                   |

MONROE COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,674,501. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the debt service function.

MONROE COUNTY, IOWA  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

| <u>Year</u><br><u>Ended</u><br><u>June 30,</u> | <u>Actuarial</u><br><u>Valuation</u><br><u>Date</u> | <u>Actuarial</u><br><u>Value of</u><br><u>Assets</u><br><u>( a )</u> | <u>Actuarial</u><br><u>Accrued</u><br><u>Liability</u><br><u>(AAL)</u><br><u>( b )</u> | <u>Unfunded</u><br><u>AAL</u><br><u>(UAAL)</u><br><u>( b-a )</u> | <u>Funded</u><br><u>Ratio</u><br><u>( a/b )</u> | <u>Covered</u><br><u>Payroll</u><br><u>( c )</u> | <u>UAAL as a</u><br><u>Percentage</u><br><u>of Covered</u><br><u>Payroll</u><br><u>( (b-a)/ c )</u> |
|--|---|--|--|--|---|--|---|
| 2010   | July 1, 2009  | \$ -   | \$ 137,632   | \$ 137,632   | 0%  | \$ 2,484,284                                     | 5.5%  |

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.



## OTHER SUPPLEMENTARY INFORMATION

MONROE COUNTY, IOWA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010

|                                      |    | Special Revenue                              |   |   |
|--------------------------------------|----|--|---|---|
|                                      |    | Resource<br>Enhancement<br>and<br>Protection | County<br>Recorder's<br>Records<br>Management | County<br>Recorder's<br>Electronic<br>Transaction Fee |
| <u>ASSETS</u>                        |    |  |   |   |
| Cash and pooled investments          | \$ | 42,542                                       | \$ 11,436                                     | \$ 10   |
| Receivables:                         |    |  |   |   |
| Property tax:                        |    |  |   |   |
| Delinquent                           |    | -  | -   | -   |
| Succeeding year                      |    | -  | -   | -   |
| Accounts receivable                  |    | 66   | 18  | -   |
|                                      |    |  |   |   |
| TOTAL ASSETS                         | \$ | 42,608                                       | \$ 11,454                                     | \$ 10   |
| <u>LIABILITIES AND FUND EQUITY</u>   |    |  |   |   |
| <u>LIABILITIES:</u>                  |    |  |   |   |
| Accounts payable                     | \$ | -  | \$ -  | \$ -  |
| Deferred revenue:                    |    |  |   |   |
| Succeeding year property tax         |    | -  | -   | -   |
| Total liabilities                    |    | -  | -   | -   |
| <u>FUND EQUITY:</u>                  |    |  |   |   |
| Unreserved, reported in:             |    |  |   |   |
| Debt service fund                    |    | -  | -   | -   |
| Capital projects fund                |    | -  | -   | -   |
| Special revenue funds                |    | 42,608                                       | 11,454  | 10  |
| Total fund equity                    |    | 42,608                                       | 11,454  | 10  |
|                                      |    |  |   |   |
| TOTAL LIABILITIES<br>AND FUND EQUITY | \$ | 42,608                                       | \$ 11,454                                     | \$ 10   |

| <u>Conservation<br/>Land<br/>Acquisition</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total</u>      |
|--|-------------------------|-----------------------------|-------------------|
| \$ 50,111                                    | \$ 40,136               | \$ 157                      | \$ 144,392        |
| -  | 2,267                   | -                           | 2,267             |
| -  | 335,822                 | -                           | 335,822           |
| -  | 62                      | -                           | 146               |
| \$ <u>50,111</u>                             | \$ <u>378,287</u>       | \$ <u>157</u>               | \$ <u>482,627</u> |
| \$ 710                                       | \$ 13,057               | \$ -                        | \$ 13,767         |
| -  | 338,061                 | -                           | 338,061           |
| <u>710</u>                                   | <u>351,118</u>          | <u>-</u>                    | <u>351,828</u>    |
| -  | 27,169                  | -                           | 27,169            |
| -  | -                       | 157                         | 157               |
| 49,401                                       | -                       | -                           | 103,473           |
| <u>49,401</u>                                | <u>27,169</u>           | <u>157</u>                  | <u>130,799</u>    |
| \$ <u>50,111</u>                             | \$ <u>378,287</u>       | \$ <u>157</u>               | \$ <u>482,627</u> |

MONROE COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010

|                                   | Special Revenue                              |   |   |
|-----------------------------------|--|---|---|
|                                   | Resource<br>Enhancement<br>and<br>Protection | County<br>Recorder's<br>Records<br>Management | County<br>Recorder's<br>Electronic<br>Transaction Fee |
| <u>REVENUES:</u>                  |  |   |   |
| Property and other County tax     | \$ -   | \$ -  | \$ -  |
| Intergovernmental                 | 10,858                                       | -   | -   |
| Charges for service               | -  | 1,631   | -   |
| Use of money and property         | 672  | 218   | 2   |
| Miscellaneous                     | -  | -   | -   |
| Total revenues                    | <u>11,530</u>                                | <u>1,849</u>                                  | <u>2</u>  |
| <u>EXPENDITURES:</u>              |  |   |   |
| Debt service                      | -  | -   | -   |
| Capital projects                  | -  | 2,430   | -   |
| Total expenditures                | <u>-</u>                                     | <u>2,430</u>                                  | <u>-</u>  |
| Net change in fund balances       | 11,530                                       | (581)   | 2   |
| Fund balances - Beginning of year | <u>31,078</u>                                | <u>12,035</u>                                 | <u>8</u>  |
| Fund balances - End of year       | \$ <u>42,608</u>                             | \$ <u>11,454</u>                              | \$ <u>10</u>  |

| <u>Conservation<br/>Land<br/>Acquisition</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total</u>      |
|--|-------------------------|-----------------------------|-------------------|
| \$ -   | \$ 101,384              | \$ -                        | \$ 101,384        |
| 2,537  | 3,892                   | -                           | 17,287            |
| 13,315                                       | -                       | -                           | 14,946            |
| -  | 646                     | -                           | 1,538             |
| <u>4,510</u>                                 | <u>-</u>                | <u>-</u>                    | <u>4,510</u>      |
| <u>20,362</u>                                | <u>105,922</u>          | <u>-</u>                    | <u>139,665</u>    |
| -  | 108,601                 | -                           | 108,601           |
| <u>29,643</u>                                | <u>-</u>                | <u>-</u>                    | <u>32,073</u>     |
| <u>29,643</u>                                | <u>108,601</u>          | <u>-</u>                    | <u>140,674</u>    |
| (9,281)                                      | (2,679)                 | -                           | (1,009)           |
| <u>58,682</u>                                | <u>29,848</u>           | <u>157</u>                  | <u>131,808</u>    |
| \$ <u>49,401</u>                             | \$ <u>27,169</u>        | \$ <u>157</u>               | \$ <u>130,799</u> |

MONROE COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2010

|                              | County Offices     |                   |                   |
|------------------------------|--------------------|-------------------|-------------------|
|                              | County<br>Recorder | County<br>Sheriff | County<br>Auditor |
| <u>ASSETS</u>                |                    |                   |                   |
| Cash and pooled investments: |                    |                   |                   |
| County Treasurer             | \$ -               | \$ -              | \$ -              |
| Other County officials       | 1,795              | 25,482            | 10,766            |
| Receivables:                 |                    |                   |                   |
| Accounts receivable          | -                  | -                 | -                 |
| Property tax:                |                    |                   |                   |
| Delinquent                   | -                  | -                 | -                 |
| Succeeding year              | -                  | -                 | -                 |
| Prepaid expenses             | -                  | -                 | -                 |
|                              | <u>-</u>           | <u>-</u>          | <u>-</u>          |
| TOTAL ASSETS                 | \$ <u>1,795</u>    | \$ <u>25,482</u>  | \$ <u>10,766</u>  |
| <u>LIABILITIES</u>           |                    |                   |                   |
| Due to other governments     | \$ 1,795           | \$ -              | \$ -              |
| Trusts payable               | <u>-</u>           | <u>25,482</u>     | <u>10,766</u>     |
| TOTAL LIABILITIES            | \$ <u>1,795</u>    | \$ <u>25,482</u>  | \$ <u>10,766</u>  |

Schedule 3

| <u>E-911</u>     | <u>Advance<br/>Tax</u> | <u>Brucellosis and<br/>Tuberculosis<br/>Eradication Fund</u> | <u>County<br/>Hospital</u> | <u>Townships</u>  | <u>Corporations</u> |
|------------------|------------------------|--|----------------------------|-------------------|---------------------|
| \$ 80,142        | \$ 16,058              | \$ 17  | \$ 11,843                  | \$ 2,161          | \$ 29,518           |
| -                | -                      | -  | -                          | -                 | -                   |
| 8,018            | -                      | -  | -                          | -                 | -                   |
| -                | -                      | 24   | 13,900                     | 3,996             | 11,072              |
| -                | -                      | 1,224  | 638,514                    | 149,343           | 1,557,626           |
| <u>876</u>       | <u>-</u>               | <u>-</u>   | <u>-</u>                   | <u>-</u>          | <u>-</u>            |
| \$ <u>89,036</u> | \$ <u>16,058</u>       | \$ <u>1,265</u>  | \$ <u>664,257</u>          | \$ <u>155,500</u> | \$ <u>1,598,216</u> |
| <br>             |                        |  |                            |                   |                     |
| \$ 89,036        | \$ 16,058              | \$ 1,265   | \$ 664,257                 | \$ 155,500        | \$ 1,598,216        |
| <u>-</u>         | <u>-</u>               | <u>-</u>   | <u>-</u>                   | <u>-</u>          | <u>-</u>            |
| \$ <u>89,036</u> | \$ <u>16,058</u>       | \$ <u>1,265</u>  | \$ <u>664,257</u>          | \$ <u>155,500</u> | \$ <u>1,598,216</u> |

MONROE COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2010

|                              | <u>Schools</u>      | <u>Area<br/>Schools</u> | <u>County<br/>Assessor</u> | <u>Agriculture<br/>Extension<br/>Education</u> |
|------------------------------|---------------------|-------------------------|----------------------------|--|
| <u>ASSETS</u>                |                     |                         |                            |  |
| Cash and pooled investments: |                     |                         |                            |  |
| County Treasurer             | \$ 85,398           | \$ 5,256                | \$ 146,513                 | \$ 1,732                                       |
| Other County officials       | -                   | -                       | -                          | -  |
| Receivables:                 |                     |                         |                            |  |
| Accounts receivable          | -                   | -                       | -                          | -  |
| Property tax:                |                     |                         |                            |  |
| Delinquent                   | 117,766             | 7,155                   | 5,537                      | 2,358  |
| Succeeding year              | 5,241,506           | 265,540                 | 255,629                    | 108,009  |
| Prepaid expenses             | -                   | -                       | -                          | -  |
|                              | <u>          </u>   | <u>          </u>       | <u>          </u>          | <u>          </u>                              |
| TOTAL ASSETS                 | \$ <u>5,444,670</u> | \$ <u>277,951</u>       | \$ <u>407,679</u>          | \$ <u>112,099</u>                              |
| <u>LIABILITIES</u>           |                     |                         |                            |  |
| Due to other governments     | \$ 5,444,670        | \$ 277,951              | \$ 407,679                 | \$ 112,099                                     |
| Trusts payable               | -                   | -                       | -                          | -  |
|                              | <u>          </u>   | <u>          </u>       | <u>          </u>          | <u>          </u>                              |
| TOTAL LIABILITIES            | \$ <u>5,444,670</u> | \$ <u>277,951</u>       | \$ <u>407,679</u>          | \$ <u>112,099</u>                              |



Schedule 3 - (Continued)

| <u>Auto<br/>License<br/>and Use<br/>Tax</u> | <u>City<br/>Special<br/>Assessments</u> | <u>Recorder's<br/>E-Transfer<br/>Fee</u> | <u>Total</u>        |
|---|---|--|---------------------|
| \$ 188,423                                  | \$ 140                                  | \$ 838                                   | \$ 568,039          |
| -   | -                                       | -  | 38,043              |
| -   | -                                       | 1  | 8,019               |
| -   | -                                       | -  | 161,808             |
| -   | -                                       | -  | 8,217,391           |
| -   | -                                       | -  | 876                 |
| <u>\$ 188,423</u>                           | <u>\$ 140</u>                           | <u>\$ 839</u>                            | <u>\$ 8,994,176</u> |
| <br>\$ 188,423                              | <br>\$ 140                              | <br>\$ 839                               | <br>\$ 8,957,928    |
| <u>-</u>                                    | <u>-</u>                                | <u>-</u>                                 | <u>36,248</u>       |
| <u>\$ 188,423</u>                           | <u>\$ 140</u>                           | <u>\$ 839</u>                            | <u>\$ 8,994,176</u> |

MONROE COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2010

| <u>ASSETS AND LIABILITIES</u>      | <u>County Offices</u>      |                           |                           |
|------------------------------------|----------------------------|---------------------------|---------------------------|
|                                    | <u>County<br/>Recorder</u> | <u>County<br/>Sheriff</u> | <u>County<br/>Auditor</u> |
| Balances beginning of year         | \$ <u>1,646</u>            | \$ <u>14,818</u>          | \$ <u>10,237</u>          |
| Additions:                         |                            |                           |                           |
| Property and other County tax      | -                          | -                         | -                         |
| State tax credits                  | -                          | -                         | -                         |
| E911 surcharge                     | -                          | -                         | -                         |
| Office fees and collections        | 144,432                    | 31,072                    | 653                       |
| Auto licenses, use tax and postage | -                          | -                         | -                         |
| Assessments                        | -                          | -                         | -                         |
| Interest income                    | -                          | -                         | -                         |
| Trusts                             | -                          | 81,435                    | 1                         |
| Miscellaneous                      | -                          | -                         | -                         |
| Total additions                    | <u>144,432</u>             | <u>112,507</u>            | <u>654</u>                |
| Deductions:                        |                            |                           |                           |
| Agency remittances:                |                            |                           |                           |
| To other funds                     | 64,847                     | 16,854                    | 125                       |
| To other governments               | 79,436                     | 369                       | -                         |
| Trusts paid out                    | -                          | 84,620                    | -                         |
| Total deductions                   | <u>144,283</u>             | <u>101,843</u>            | <u>125</u>                |
| Balances end of year               | \$ <u>1,795</u>            | \$ <u>25,482</u>          | \$ <u>10,766</u>          |

| <u>E-911</u>     | <u>Advance<br/>Tax</u> | <u>Brucellosis and<br/>Tuberculosis<br/>Eradication Fund</u> | <u>County<br/>Hospital</u> | <u>Townships</u>  | <u>Corporations</u> |
|------------------|------------------------|--|----------------------------|-------------------|---------------------|
| \$ <u>89,060</u> | \$ <u>26,351</u>       | \$ <u>1,119</u>  | \$ <u>657,775</u>          | \$ <u>155,856</u> | \$ <u>1,329,864</u> |
| -                | 16,937                 | 1,192  | 628,230                    | 147,909           | 1,502,556           |
| -                | -                      | 42   | 23,871                     | 4,737             | 75,896              |
| 56,333           | -                      | -  | -                          | -                 | -                   |
| 645              | -                      | -  | -                          | -                 | -                   |
| -                | -                      | -  | -                          | -                 | -                   |
| -                | -                      | -  | -                          | -                 | -                   |
| 1,613            | -                      | -  | -                          | -                 | -                   |
| -                | -                      | -  | -                          | -                 | -                   |
| -                | -                      | -  | -                          | -                 | -                   |
| <u>58,591</u>    | <u>16,937</u>          | <u>1,234</u>   | <u>652,101</u>             | <u>152,646</u>    | <u>1,578,452</u>    |
| -                | -                      | -  | -                          | -                 | -                   |
| 58,615           | 27,230                 | 1,088  | 645,619                    | 153,002           | 1,310,100           |
| -                | -                      | -  | -                          | -                 | -                   |
| <u>58,615</u>    | <u>27,230</u>          | <u>1,088</u>   | <u>645,619</u>             | <u>153,002</u>    | <u>1,310,100</u>    |
| \$ <u>89,036</u> | \$ <u>16,058</u>       | \$ <u>1,265</u>  | \$ <u>664,257</u>          | \$ <u>155,500</u> | \$ <u>1,598,216</u> |

MONROE COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2010

| <u>ASSETS AND LIABILITIES</u>      | <u>Schools</u>      | <u>Area<br/>Schools</u> | <u>County<br/>Assessor</u> |
|------------------------------------|---------------------|-------------------------|----------------------------|
| Balances beginning of year         | \$ <u>5,174,693</u> | \$ <u>336,795</u>       | \$ <u>389,088</u>          |
| Additions:                         |                     |                         |                            |
| Property and other County tax      | 5,145,089           | 260,779                 | 251,496                    |
| State tax credits                  | 199,889             | 12,284                  | 9,507                      |
| E911 surcharge                     | -                   | -                       | -                          |
| Office fees and collections        | -                   | -                       | 122                        |
| Auto licenses, use tax and postage | -                   | -                       | -                          |
| Assessments                        | -                   | -                       | -                          |
| Interest income                    | -                   | -                       | -                          |
| Trusts                             | -                   | -                       | -                          |
| Miscellaneous                      | -                   | -                       | 12,573                     |
| Total additions                    | <u>5,344,978</u>    | <u>273,063</u>          | <u>273,698</u>             |
| Deductions:                        |                     |                         |                            |
| Agency remittances:                |                     |                         |                            |
| To other funds                     | -                   | -                       | -                          |
| To other governments               | 5,075,001           | 331,907                 | 255,107                    |
| Trusts paid out                    | -                   | -                       | -                          |
| Total deductions                   | <u>5,075,001</u>    | <u>331,907</u>          | <u>255,107</u>             |
| Balances end of year               | \$ <u>5,444,670</u> | \$ <u>277,951</u>       | \$ <u>407,679</u>          |

## Schedule 4 (Continued)

| <u>Agriculture<br/>Extension<br/>Education</u> | <u>Auto<br/>License<br/>and Use<br/>Tax</u> | <u>City<br/>Special<br/>Assessments</u> | <u>Tax Sale<br/>Redemption<br/>Trust</u> | <u>Recorder's<br/>E-Transfer<br/>Fee</u> | <u>Total</u>        |
|--|---|---|--|--|---------------------|
| \$ <u>111,306</u>                              | \$ <u>136,962</u>                           | \$ <u>126</u>                           | \$ <u>-</u>                              | \$ <u>354</u>                            | \$ <u>8,436,050</u> |
| 106,265  | -   | -                                       | -  | -  | 8,060,453           |
| 4,049  | -   | -                                       | -  | -  | 330,275             |
| -  | -   | -                                       | -  | -  | 56,333              |
| -  | -   | -                                       | -  | 4,798                                    | 181,722             |
| -  | 1,899,841                                   | -                                       | -  | -  | 1,899,841           |
| -  | -   | 473                                     | -  | -  | 473                 |
| -  | -   | -                                       | -  | 6  | 1,619               |
| -  | -   | -                                       | 136,617                                  | -  | 218,053             |
| -  | -   | -                                       | 209                                      | -  | 12,782              |
| <u>110,314</u>                                 | <u>1,899,841</u>                            | <u>473</u>                              | <u>136,826</u>                           | <u>4,804</u>                             | <u>10,761,551</u>   |
| -  | 95,646                                      | -                                       | -  | -  | 177,472             |
| 109,521  | 1,752,734                                   | 459                                     | -  | 4,319                                    | 9,804,507           |
| -  | -   | -                                       | 136,826                                  | -  | 221,446             |
| <u>109,521</u>                                 | <u>1,848,380</u>                            | <u>459</u>                              | <u>136,826</u>                           | <u>4,319</u>                             | <u>10,203,425</u>   |
| \$ <u>112,099</u>                              | \$ <u>188,423</u>                           | \$ <u>140</u>                           | \$ <u>-</u>                              | \$ <u>839</u>                            | \$ <u>8,994,176</u> |

MONROE COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST SIX YEARS

|                                      | Modified Accrual Basis<br>Year Ended June 30, |                     |                     |
|--------------------------------------|---|---------------------|---------------------|
|                                      | <u>2010</u>                                   | <u>2009</u>         | <u>2008</u>         |
| <u>REVENUES:</u>                     |   |                     |                     |
| Property and other County tax        | \$ 3,881,781                                  | \$ 3,834,653        | \$ 3,745,260        |
| Interest and penalty on property tax | 38,146  | 39,229              | 38,012              |
| Intergovernmental                    | 3,039,879                                     | 3,276,523           | 2,895,924           |
| Licenses and permits                 | 1,880   | 1,890               | 1,390               |
| Charges for service                  | 236,927                                       | 223,518             | 238,158             |
| Use of money and property            | 95,820  | 127,306             | 191,026             |
| Miscellaneous                        | <u>87,541</u>                                 | <u>61,883</u>       | <u>64,585</u>       |
| Total                                | \$ <u>7,381,974</u>                           | \$ <u>7,565,002</u> | \$ <u>7,174,355</u> |
| <u>EXPENDITURES:</u>                 |   |                     |                     |
| Operating:                           |   |                     |                     |
| Public safety and legal services     | \$ 1,105,998                                  | \$ 1,080,991        | \$ 1,078,661        |
| Physical health and social services  | 832,829                                       | 861,323             | 750,894             |
| Mental health                        | 760,724                                       | 748,216             | 784,399             |
| County environment and education     | 291,736                                       | 243,782             | 609,350             |
| Roads and transportation             | 2,836,146                                     | 2,999,673           | 3,164,319           |
| Governmental services to residents   | 331,811                                       | 448,299             | 275,201             |
| Administration                       | 851,811                                       | 906,215             | 878,986             |
| Debt service                         | 465,290                                       | 642,935             | 226,063             |
| Capital projects                     | <u>343,167</u>                                | <u>761,535</u>      | <u>977,638</u>      |
| Total                                | \$ <u>7,819,512</u>                           | \$ <u>8,692,969</u> | \$ <u>8,745,511</u> |

| <u>2007</u>         | <u>2006</u>         | <u>2005</u>         |
|---------------------|---------------------|---------------------|
| \$ 3,719,710        | \$ 3,299,545        | \$ 3,080,565        |
| 124,528             | 36,861              | 41,246              |
| 2,897,772           | 3,419,355           | 3,308,942           |
| 715                 | 490                 | 505                 |
| 240,365             | 252,875             | 248,374             |
| 195,205             | 171,331             | 133,310             |
| <u>42,154</u>       | <u>32,010</u>       | <u>24,023</u>       |
| \$ <u>7,220,449</u> | \$ <u>7,212,467</u> | \$ <u>6,836,965</u> |

|                     |                     |                     |
|---------------------|---------------------|---------------------|
| \$ 1,008,343        | \$ 1,042,222        | \$ 933,073          |
| 705,034             | 668,924             | 671,063             |
| 857,955             | 795,100             | 1,077,603           |
| 264,183             | 260,494             | 595,876             |
| 2,350,659           | 2,822,780           | 2,384,357           |
| 264,770             | 332,531             | 275,864             |
| 863,002             | 853,821             | 912,850             |
| 409,729             | 270,955             | 273,830             |
| <u>447,538</u>      | <u>1,117,862</u>    | <u>566,999</u>      |
| \$ <u>7,171,213</u> | \$ <u>8,164,689</u> | \$ <u>7,691,515</u> |

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Officials of Monroe County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Monroe County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 19, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe County, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Monroe County, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Monroe County, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as Item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be a significant deficiency.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monroe County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Monroe County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Monroe County, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Monroe County, Iowa and other parties to whom the County may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Monroe County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
January 19, 2011

MONROE COUNTY, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Significant Deficiencies:

II-A-10 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in each of the offices identified may have control over the following areas for which no compensating controls exist:

- |   | <u>Applicable<br/>Offices</u>                                   |
|---|---|
| (1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipts records.   | Ag Extension,<br>Auditor,<br>Recorder,<br>Sheriff,<br>Treasurer |
| (2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not handle or record cash.   | Ag Extension,<br>Auditor,<br>Recorder,<br>Sheriff,<br>Treasurer |
| (3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepared the checks or warrants or approved vouchers for payment. | Auditor,<br>Recorder  |
|   | <u>Applicable<br/>Offices</u>                                   |
| (4) Payroll checks or warrants are prepared and signed in a single process. Since the preparation and signing are combined, there should be review procedures by supervisory personnel.   | Auditor   |

MONROE COUNTY, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (Continued)

Significant Deficiencies: (Continued)

II-A-10 Segregation of Duties (Continued)

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. Officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

Responses

Ag Extension – We have some compensating controls in place including a general review by the Ag Extension Director and the Ag Extension Council. With a limited number of employees, further segregation is not feasible at this time.

County Auditor – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – We have some compensating controls in place. We have set up various checks and reviews and employees alternate duties from month to month. With our limited number of employees, further segregation of duties is not feasible at this time.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We have improved procedures during the year and will try to make any necessary changes to improve internal control in the future.

Conclusion – Responses accepted.

II-B-10 Electronic Data Processing Systems

Comment – During our review of internal controls, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weakness in the County's computer based systems was noted.

The County does not have a written disaster recovery plan in case of computer failure or destruction.

Recommendation – The County should develop a written disaster recovery plan in order to improve the County's control over computer based systems.

Response – The County will review the above, and take appropriate action as necessary.

Conclusion – Response accepted.

MONROE COUNTY, IOWA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

- III-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the debt service function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The County assumed that unused capital projects budgeted amounts would absorb the debt service over expenditure. We were unaware that these were two separate expense functions.

Conclusion – Response accepted.

- III-B-10 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- III-C-10 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- III-D-10 Business Transactions – No business transactions between the County and County officials or employees were noted.

- III-E-10 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

- III-F-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

- III-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

- III-H-10 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- III-I-10 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.